

Foreign Grants and Credits of the United States Government in 1953

INCREASED transfers of military supplies and services brought net deliveries on grants and credits by the United States Government to foreign countries to \$8.4 billion during 1953. This was higher than in any earlier postwar year, but the trend in the second half was downward. The shipments and cash disbursements during the first half of the year thus reflected the large appropriations of prior years and reduced the amount of appropriated but not yet utilized funds. During the second half of the year, net grants and credits had dropped to an annual rate of \$5.4 billion, approximately the rate set by the appropriation for the current fiscal year.

Military supplies and services were also the major factor in the decline from the first to the second half of the year. In the latter period military deliveries were at an annual rate equivalent to the \$3.2 billion in mutual security military grants appropriations by the Congress for fiscal year 1954.

Military supplies and services transferred to foreign countries in 1953 amounted to \$4.4 billion as against \$2.7 billion in the preceding year.

On the other hand, net grant and credit transfers of other than military supplies and services dropped to \$2.0 billion in 1953—approximately the rate authorized by Congress for the current fiscal year—from \$2.4 billion in 1952. These “nonmilitary” grants and credits include all assistance not provided as military end-items, military training and similar services, or contributions to the multilateral-construction program of the North Atlantic Treaty Organization.

Most military grants in 1953 were provided under the mutual security program. By the end of the year about half of the total \$19 billion authorized for military grants under this program had been furnished to foreign countries.

Ordnance leads in military equipment

Nearly 31,000 tanks and combat vehicles have been provided foreign countries under the mutual defense assistance program. These combat vehicles with their components and spares represent the largest category of military aid, totaling over \$2 billion. More than 175,000 other motor transport vehicles delivered in the 4 years the program has been building up represent an additional \$800 million. One-third of the vehicles were transferred abroad in 1953.

Other ordnance equipment—mainly guns and ammunition—is another major category, also exceeding one-fifth of the total military grants through 1953. Shipments of small arms and machine guns declined in 1953; of the 2 million units shipped in the 4 years, about one-sixth were delivered last year. Ammunition continued to be provided in large amounts, for over one-half of the cumulative 1 billion rounds of small arm ammunition and two-thirds of the cumulative 35 million rounds of artillery ammunition were shipped in 1953.

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Aircraft valued at \$1½ billions, representing 5,340 units with attendant supplies, have been provided under the program. Of this total 2,408 units were sent in 1953.

Vessels transferred and lent as aid

Vessel transfers by December 1953 numbered 601 with a value of half a billion dollars. About half of this value represents charges against the legislative authority for the use of excess stocks and not new expenditures of appropriated funds. Many of the vessels transferred from excess stocks as mutual security grants were in the custody of the foreign governments under the lend-lease program and were simultaneously returned as lend-lease, as required by law, and retransferred. The net military aid shown in table 1 is adjusted for these duplications in lend-lease and mutual security program transfers. Vessels transferred under the mutual security program in 1953 numbered 159.

Other military grants in 1953 included the transfers of vessels to Japan (\$127 million), France (\$25 million), and the Netherlands (\$21 million) outside of the mutual security program. These were made under specific authorization acts of the Eighty-second and Eighty-third Congresses which allowed the transfers with expectation of return of the vessel at some future time.

Training included in services

Services and ocean freight aggregate about one-half billion dollars in the \$9 billion military aid furnished from 1950 through last year. These services include administrative costs of the program as well as formal training courses for foreign nationals and the cost of Armed Forces mobile training teams and civilian technical representatives. In 1953, over 11,400 foreigners completed formal training courses, bringing the total to 33,000 since the beginning of the program; 6,400 persons were in training at the end of the year.

Multilateral-construction program payments

Over \$90 million of the total annual grant to Europe represented dollars contributed to the common-use construction program of the North Atlantic Treaty Organization. Through December 1953 the United States Government had paid \$164 million of the agreed contribution of \$600 million. The United States Government is to pay about 40 percent of the total cost of basic military installations which are financed jointly by the NATO nations and are available for the use of forces under NATO command. (In the balance of payments computations, these disbursements are combined with other military construction and included in United States Government service expenditures.)

Most of military supplies to Europe

Military supplies and services provided to Western European countries participating in the North Atlantic Treaty Organization comprised more than four-fifths of the military assistance program.

Transfers under title III of the Mutual Security Act, covering Asia and the Pacific, rose proportionately more than the total from 1952 to 1953. The relative rise in military aid to this area took place during the first half of the year. During the second half, transfers to the Far East fell off relatively more than total transfers.

Offshore procurement

The transfers of military goods and services during 1953 include approximately \$300 million of goods purchased abroad under "offshore procurement" contracts. During 1952 the value of such transfers amounted to about \$75 million. The offshore procurement program is helping to expand the mobilization base in North Atlantic Treaty Organization countries. Strategic considerations as well as competitive bidding within the area determine the country in which these contracts are placed. Military equipment produced abroad may be transferred to third countries or used in the countries of production.

About half of the \$2.2 billion of contracts placed through 1953 were open to competitive bidding among the foreign countries. The other half—primarily for aircraft and vessels, and the procurement guaranteed the French in financial support of the costs of their military operations in Indochina—were negotiated in the countries where it was desired to effect the procurement. Although Americans were not eligible to bid on offshore procurement contracts, all prices to be paid were restricted, with small exceptions, to a maximum of 110 percent of the price for the equivalent item in the United States. The 10-percent excess approximately equals the freight charges which would have to be paid on goods procured in the United States. Of the total purchases of \$375 million under the offshore procurement program, France accounted for about \$225 million.

New contracts in 1953—all placed during the first half of the year—amounted to \$1½ billion. One-half of these (by value) were placed in France. Total contracts outstanding at the end of the year were approximately \$1.9 billion, or about one-fifth of the \$10-billion backlog of undelivered but programmed military aid. Deliveries against the foreign contracts expected in 1954 and 1955 will thus add substantially to the transfers from domestic production under the military-aid program.

Canada is not included within the offshore procurement program, and therefore not in these figures, although extensive purchases are made in that country.

Nonmilitary aid to many countries terminated

The contraction of net nonmilitary grants and credits reflected a general decrease in grants as well as in credits. The program and country composition of these grants and credits has, however, undergone some changes. With the improvement of their economic position, new aid to several European countries was terminated in 1953. These included Austria, Denmark, Iceland, the Netherlands, and Norway. Aid to Germany was primarily economic support needed by Western Berlin. The small transfers to these countries during 1953 represent mainly deliveries on authorizations made before the aid programs were ended. Aid had earlier been terminated for Belgium, Ireland, Luxembourg, Portugal, Sweden, and Japan.

With the exception of France and of Yugoslavia—which received greater deliveries under nonmilitary grant aid in 1953 than in the previous year—assistance shifted from Europe to Asia. Omitting Japan, the total such grants in the Far East rose by 46 percent and comprised about one-fourth of net new nonmilitary grants during 1953 as compared with one-sixth in 1952.

Direct aid was provided to relieve temporary food shortages in Bolivia, Jordan, Libya, and Pakistan. Foodstuffs also comprised a large portion of the grants to Israel. A special program was organized to distribute mixed food parcels in West Berlin to the people of East Germany. Approximately \$37 million of food was furnished by the Agriculture Department to private relief organizations for distribution abroad.

Section 550 sales begun

Under section 550 of the Mutual Security Act, agricultural products are sold for foreign currencies which may be used for offshore procurement under the military assistance program, for technical assistance grants, for the development of strategic material resources, or for other purposes consistent with the mutual security program. Although the sale of agricultural goods does not enter the grant or credit figures, the expenditures of the foreign funds for direct aid will be included in the data. In case the funds are used for offshore purchases, the transfers of the completed goods to foreign countries will become part of the grant figure. Up to the end of December about \$8 million of tobacco was sold to the United Kingdom under this program, but considerably larger amounts were shipped during the first few months of the current year.

Outstanding credits near \$12 billion

New credit disbursements were heavier in the last half of 1953, but the annual total retained the same relationship to new grants as in the preceding year, comprising one-fourth of the \$2.6 billion gross nonmilitary assistance. New credits continued to exceed principal collections. To the 1953 net increase in outstanding Government credits of \$235 million there was added in September the \$1-billion postwar settlement for assistance to Germany (see SURVEY, October 1953, p. 17) bringing the total foreign indebtedness to the United States Government, exclusive of World War I debts, to \$11.9 billion. This indebtedness is scheduled to be repaid over the next 50 years.

During the year the United States Government collected \$251 million in interest on the indebtedness, an increase of over 20 percent from 1952.

Major economic grants to France

In addition to the military assistance to France, which in part consisted of transfers of military goods purchased there by the United States, France was also a major recipient of other grant assistance in 1953. Direct grant deliveries by the Foreign Operations Administration were relatively stable during the year at about the same level as in the preceding year. During the June quarter, however, France received a special grant of \$39 million to meet a part of the French deficit with the European Payments Union.

Congressional authorizations for the fiscal year 1954 included financial assistance of \$85 million for manufacturing of military goods in France and of \$400 million to help defray the French costs in Indochina. No payments were made from these appropriations in 1953.

In August the French drew \$100 million from the Export-Import Bank as an advance on anticipated earnings under

the offshore-procurement contracts placed in the first half of the year. France owed \$105 million at the beginning of the year on a similar loan disbursed in 1952. From its earnings on offshore-procurement contracts in 1953 total payments of \$105 million were made on both loans.

The loan extended in 1953 required interest at 3% percent or 1 percent more than the earlier loan. In March 1954 the French, in order to decrease their interest costs, paid off the residual balance of the 1953 loan, although it was not finally due until June 1955.

The balance of the 1952 loan, which at the end of March was \$24 million, was due to be paid by the end of June.

France also drew \$3 million on a franc loan extended for basic development projects in its African possessions. Altogether, however, repayments by France, which included also \$58 million on several postwar credits, exceeded new loans by \$39 million in the year.

Rest of Europe receives less

The United Kingdom also made its scheduled payments on postwar credits, but received \$275 million in net non-military grants from the United States. Such grants, one-third less than in the preceding year, were declining in the last half of the year. No payments were made to the United Kingdom from the 1953 appropriation of \$85 million for manufacturing of military equipment in that country.

Although Yugoslavia was the only Western European country to receive, on balance, more transfers of nonmilitary grants and credits in the past year than in 1952, these were almost completely curtailed in the December quarter after almost \$100 million had been provided in the first 9 months of 1953.

A marked decline in grant aid deliveries to Italy occurred in the second quarter, and to Austria in the September period.

No deliveries were made to Spain from the \$85-million economic program included in the basic agreements in September. (The first shipment of military equipment from the \$141-million military aid program was announced in January 1954.) Throughout the year Spain utilized \$14 million of the \$62½-million loan authorized by the Congress in 1950 and had \$19½ million still available at the end of the year. Other Spanish loan activity in 1953 reflected net disbursements on 18-month cotton credits extended by the Export-Import Bank.

Half of the annual net economic grants to Turkey represented first half payments by the United States Government to the European Payments Union in settlement of the Turkish deficit on intra-European trade; 46 percent of the net grants to Greece was of a similar character. A payment of \$4½ million to the European Payments Union in behalf of Iceland was also made in the June quarter.

Aid for West Berlin

Collections of \$38 million from Germany on credits included \$12 million to complete repayment of the Export-Import Bank 1952 credits to purchase cotton and tobacco. Returns included also \$23 million in foreign currency on the postwar surplus property credits. Of this amount, \$13 million in deutschmark was disbursed as a grant by the State Department through the United States High Commissioner for Germany to the German Government to be used for investments in West Berlin to stimulate the city's economic recovery.

Net grants to Germany in the last half of the year included transfers from the \$50-million allotment made by the President earlier in the year as a form of assistance to West

Berlin. Shipments of agricultural surpluses distributed through American voluntary relief agencies totaled \$12 million in the last half of the year. Christmas food parcels valued at over \$2 million were provided by the Foreign Operations Administration for distribution to needy families through local relief agencies and charitable groups.

Shipments of foodstuffs to Germany, to be distributed in Berlin to the people from the Soviet sector of the city and from the Soviet zone of Germany, totaled \$8 million and comprise the net grants shown for Other Europe in table 1. Some of these shipments were for replacement of stocks in Western Germany and were made after the distribution of more than 5½ million food parcels to East Zone residents between July 27 and October 10.

Net credit collections in the Other Europe area reflected surplus-property and Export-Import Bank loan repayments by Poland. Hungary also made a small repayment.

Large grants to Iran

In the Near East the data reflect Foreign Operations Administration assistance to the Government of Iran pending settlement of the nation's oil dispute. Extraordinary aid payments of \$20 million were made in the last half of the year. These funds were made available from appropriations for military aid to Europe by the President, acting under the emergency provision of the Mutual Security Act.

In the last quarter shipments of sugar valued at nearly \$10 million, including freight, were rushed to Iran. Imports of sugar into Iran—where the supply is far below demand—served to curb rising prices. Sales of the commodity provide local currency which is used in part for Iranian Government operating expenses and for technical assistance projects.

Net grants to Arab countries in the Near East and Africa were doubled in 1953 from the preceding year. These grants include shipments of surplus wheat to Jordan and Libya under the Emergency Famine Relief Act. Contributions to the United Nations Relief and Works Agency for Palestine Refugees declined from \$22 million to \$9 million in 1953.

Israel draws surplus foodstuffs

Economic assistance to Israel continued, but on a lower scale than in the preceding year. Disbursements of \$12 million brought the Export-Import Bank loan arranged in 1949 to within \$3 million of complete utilization. These disbursements were two-thirds offset by the required annual repayments.

Shipments to Israel of agricultural surpluses provided by the Agriculture Department through American voluntary private relief organizations in the last quarter of the year totaled \$9 million.

Grants to India and Pakistan

Deliveries under the assistance program to Pakistan in 1953 consisted mainly of wheat to alleviate the threatened famine following 2 years of drought. Early in the year the last half of a \$15-million loan for wheat purchases was disbursed. Under special legislation approved by Congress in June shipments of 700,000 tons from the excess reserve stocks of the United States Government were authorized on a grant basis. By the end of the year nearly 800,000 tons valued at \$62 million were shipped. The Foreign Operations Administration advanced \$9 million to pay part of the freight cost in moving the wheat. Fertilizer shipments of \$3 million to raise food output were included in the grants to Pakistan in the last quarter. Technical and other economic assistance rose to \$7 million in the year.

In the preceding year it was the neighboring nation, India, which received large wheat shipments, aggregating \$84 million, on credit. Economic grants to India increased in 1953.

The Union of South Africa increased its drawings on the Export-Import Bank credits for expansion of mining and production facilities for strategic materials.

Aid to Far East increases

Net grants of technical and economic assistance to most Far Eastern countries—Formosa, Philippines, Indochina, Indonesia—advanced in 1953.

Credits included \$2 million on an Export-Import Bank loan for irrigation construction and \$1½ million as a special wheat loan to Afghanistan and \$13 million from the Export-Import Bank for transportation and communication development projects in Indonesia. In both countries credits were smaller than in the preceding year.

Japan was the notable exception to the rise in nonmilitary assistance in the Far East. This country had received nearly \$2½ billion in postwar grants—which will be the subject of settlement and repayment negotiations—but had improved its financial position as a result of large United States military expenditures. Only small donations of agricultural supplies were provided the home islands in 1952 and 1953. Grants to the Ryukyu Islands declined by 72 percent in the latter year. Cotton-purchase credits drawn from the Export-Import Bank by Japan in the preceding year were repaid in the June 1953 quarter, and nearly equivalent new drawings were made in the subsequent quarter.

Korean relief dips

Korean relief shipments by the Army Department dropped greatly in the last quarter of the year after active hostilities were terminated. A distribution of about 10,000 tons of

Table 1.—Summary of Foreign Grants and Credits, ¹ Military and Other, by Major Country: 1952 and 1953

(Millions of dollars)

Major country ¹	Calendar year 1952	Calendar year 1953					Major country ²	Calendar year 1952	Calendar year 1953				
		Total	January-March	April-June	July-September	October-December			Total	January-March	April-June	July-September	October-December
Net grants and credits.....	6,042	6,481	1,781	1,979	1,888	1,273	MILITARY GRANTS—Continued						
Net grants.....	4,010	5,100	1,778	1,915	213	1,287	American Republics:						
Gross new grants.....	4,792	0,381	1,811	1,900	1,282	1,280	Net grants.....	89	34	6	8	16	7
Less: Prior grants converted into credits.....		1,000			1,000		Unspecified:						
Less: Reverse grants and returns.....	152	106	32	84	24	23	Net grants.....	86	20	7	14	3	2
Net credits.....	402	1,235	-27	66	1,183	22	OTHER GRANTS AND CREDITS						
New credits.....	826	712	69	106	284	108	Net grants and credits.....	2,381	2,023	467	578	864	433
Plus: Prior grants converted into credits.....		1,800			1,000		Net grants.....	1,060	784	494	521	-221	431
Less: Principal collections.....	423	477	81	130	100	147	Gross new grants.....	2,046	1,887	612	882	402	431
MILITARY AND OTHER GRANTS AND CREDITS							Less: Prior grants converted into credits.....		1,060			1,000	
Western Europe (including Greece and Turkey) and dependencies:							Less: Reverse grants and returns.....	80	102	28	31	23	28
Net grants and credits.....	3,789	4,497	1,385	1,428	983	810	Net credits.....	402	1,235	-27	66	1,183	22
Net grants.....	3,048	4,453	1,363	1,473	908	810	New credits.....	826	712	69	106	284	108
Net new grants.....	144	-158	-48	-80	43	-103	Plus: Prior grants converted into credits.....		1,800			1,000	
Prior grants converted into credits.....		1,000			1,000		Less: Principal collections.....	423	477	81	130	100	147
Other Europe:							Western Europe and dependent areas:						
Net grants and credits.....	-4	3	-1	-1	1	5	Net grants and credits.....	1,593	960	264	206	265	113
Net grants.....		3			3	0	Net new grants.....	1,440	1,115	333	346	291	218
Net credits.....	-4	-4	-1	-1	-2	-1	Net new credits.....	144	-158	-48	-80	43	-103
New East and Africa:							Prior grants converted into credits.....		1,000			1,000	
Net grants and credits.....	177	169	32	37	29	61	Austria:						
Net grants.....	124	125	28	37	21	61	Net grants and credits.....	32	35	14	10	3	3
Net credits.....	53	44	4	10	8	10	Net grants.....	28	35	14	10	3	3
Asia and Pacific:							Net credits.....	-6	(¹)	-1	(¹)	(¹)	1
Net grants and credits.....	807	1,370	381	347	783	200	British Commonwealth: United Kingdom:						
Net grants.....	720	1,254	376	378	763	248	Net grants and credits.....	418	227	89	61	83	-5
Net credits.....	147	10	4	-28	27	12	Net grants.....	408	275	86	63	83	40
American Republics:							Net credits.....	10	-48	(¹)	-2	(¹)	-47
Net grants and credits.....	127	400	90	140	124	114	France:						
Net grants.....	78	67	10	35	18	24	Net grants and credits.....	355	261	35	172	100	13
Net credits.....	49	343	80	125	106	102	Net grants.....	200	280	63	134	42	60
Unspecified:							Net credits.....	86	-38	-28	-23	57	-43
Net grants and credits.....	85	70	16	24	10	21	Germany:						
Net grants.....	72	08	14	25	10	20	Net grants and credits.....	108	34	2	-0	10	27
Net credits.....	12	2	2	-1	1	1	Net new grants.....	71	70	10	16	13	37
MILITARY GRANTS ¹							Net new credits.....	32	-38	-8	-20	-3	-3
Net grants.....	2,681	4,371	1,285	1,384	837	848	Prior grants converted into credits.....		1,000			1,000	
Gross grants.....	2,747	4,484	1,269	1,447	850	849	Greece:						
Less: Reverse grants and returns.....	66	69	4	54	3	3	Net grants and credits.....	128	62	25	18	0	11
Western Europe (including Greece and Turkey):							Net grants.....	120	68	27	19	10	11
Net grants.....	2,100	3,437	1,020	1,120	683	703	Net credits.....	-8	-6	-2	-2	-1	-1
Asia and Pacific:							Italy:						
Net grants.....	280	773	202	240	131	124	Net grants and credits.....	175	106	47	19	17	23
							Net grants.....	170	124	50	22	24	31
							Net credits.....	-4	-27	-0	-3	-7	-8

Table L.—Summary of Foreign Grants and Credits,¹ Military and Other, by Major Country: 1952 and 1953—Continued

(Millions of dollars)

Major country ¹	Calendar year 1952	Calendar year 1953					Major country ²	Calendar year 1952	Calendar year 1953				
		Total	January-March	April-June	July-September	October-December			Total	January-March	April-June	July-September	October-December
OTHER GRANTS AND CREDITS—Continued							OTHER GRANTS AND CREDITS—Continued						
Netherlands:							Asia and Pacific:						
Net grants and credits.....	44	9	7	-2	-1	5	Net grants and credits.....	478	497	115	103	151	126
Net grants.....	45	21	8	1	4	2	Net grants.....	451	482	114	129	124	114
Net credits.....	-24	-12	-1	-3	-5	-3	Net credits.....	147	16	4	-26	27	12
Norway:							China-Taiwan (Formosa):						
Net grants and credits.....	26	13	4	3	4	4	Net grants and credits.....	76	85	25	27	11	21
Net grants.....	15	10	3	1	1	4	Net grants.....	76	85	25	27	12	21
Net credits.....	7	6	1	2	2	(9)	Net credits.....	-1	-3	(4)	-2	(9)	(9)
Spain:							India:						
Net grants and credits.....	24	21	2	5	5	3	Net grants and credits.....	81	37	7	12	7	13
Net grants.....	1	1				1	Net grants.....	11	37	7	12	7	12
Net credits.....	24	19	2	5	5	7	Net credits.....	64					
Turkey:							Indonesia:						
Net grants and credits.....	50	37	14	14	4	6	Net grants.....	22	25	5	5	4	8
Net grants.....	52	42	14	15	5	7	Net grants.....	22	25	5	5	4	8
Net credits.....	6	-5	-1	-1	-1	-1	Net credits.....						
Yugoslavia:							Indonesia:						
Net grants and credits.....	80	66	32	42	22	1	Net grants and credits.....	33	17	6	2	1	8
Net grants.....	77	67	32	43	22	1	Net grants.....	4	5	2	2	1	1
Net credits.....	3	1	(9)	(9)	(9)	(9)	Net credits.....	29	11	4		(9)	7
Other and unspecified Western Europe:							Japan and Ryukyu Islands:						
Net grants and credits.....	105	63	14	20	8	10	Net grants and credits.....	64	5	-3	-26	33	3
Net grants.....	94	63	17	23	13	10	Net grants.....	28	5	2	8	1	(9)
Net credits.....	10	-10	-3	-3	-4	(9)	Net credits.....	36	-3	-5	-33	32	3
Other Europe:							Korea:						
Net grants and credits.....	-4	8	-1	-1	1	5	Net grants.....	155	102	57	80	64	22
Net grants.....		8			3	0	Pakistan:						
Net credits.....	-4		-1	-1	-2	-1	Net grants and credits.....	8	90	0	2	30	40
Near East and Africa:							Net grants.....	1	81	1	1	30	40
Net grants and credits.....	177	180	33	37	26	61	Net credits.....	7	8	8	1		
Net grants.....	124	125	28	27	21	51	Philippines:						
Net credits.....	53	54	5	10	5	10	Net grants and credits.....	0	22	6	11	-2	7
Iran:							Net grants.....	20	25	0	0	4	6
Net grants.....	11	42	0	7	11	28	Net credits.....	-11	-2	-3	5	-6	1
Israel:							Other and unspecified Asia and Pacific:						
Net grants and credits.....	109	49	12	19	5	14	Net grants and credits.....	16	23	0	11	4	3
Net grants.....	89	45	0	16	0	14	Net grants.....	13	20	0	9	3	3
Net credits.....	27	4	8	3	-1	(9)	Net credits.....	3	3	(9)	2	1	(9)
Union of South Africa:							American Republics:						
Net grants.....	20	25	3	0	11	11	Net grants and credits.....	48	205	15	132	109	109
Other and unspecified Near East and Africa:							Net grants.....	10	22	5	7	4	7
Net grants and credits.....	31	22	11	2	3	8	Net credits.....	40	243	10	125	106	102
Net grants.....	31	27	12	4	4	0	Unspecified:						
Net credits.....	(9)	-5	(9)	-2	-1	-1	Net grants and credits.....	40	43	9	10	7	18
							Net grants.....	57	41	0	11	6	18
							Net credits.....	12	2	3	-1	1	1

1. The measure of foreign grants and credits generally is in terms of goods delivered or shipped by the United States Government, services rendered by the United States Government, or cash disbursed by the United States Government to or for the account of a foreign government or other foreign entity.

2. For security reasons data by country do not include the military aid furnished principally under the mutual-security program. Transfers of military assistance generally reflect the area of commitment of the equipment; in particular data for Asia and Pacific include shipments to Indochina, while those for Western Europe include shipments to France, a part of which may have replaced equipment used by the French forces in Indochina. The aid shown in the table includes credits which have been extended to private entities in the country specified and grants of Government agricultural surpluses distributed abroad by American voluntary relief agencies.

3. Includes supplies, services, and contributions to the multinational construction program of the North Atlantic Treaty Organization. The latter item is treated in the balance-of-payments computations as a military purchase of services rather than a grant.

4. Less than \$500,000.

5. Negative entry of less than \$500,000.

6. Includes aid furnished through international organizations.

Note.—Further definition and explanation of these data are contained in the *Foreign Aid Supplement of the Survey of Current Business*, published in November 1953, and available at \$1.00 from the Superintendent of Documents, Washington 25, D. C., or the various Department of Commerce field offices.

Source: U. S. Department of Commerce, Office of Business Economics.

foodstuffs from military stocks was made in the September period under direction from the President.

Payments of \$41 million were made to the United Nations Korean Reconstruction Agency in the first half of the year. Purchases from these funds by the international organization were moving into Korea in the last half of the year and served to balance the decline of direct commodity assistance from United States agencies. United States Government aid included another \$15-million payment to the international organization in the final quarter of the year.

Some \$3 million of the \$200-million interim emergency aid authorized by Congress for rehabilitation and economic support in Korea was supplied at the end of 1953.

Brazil leads credit recipients in 1953

The recipient of the largest credits in 1953 was Brazil. Included was a \$300-million loan from the Export-Import Bank to consolidate and liquidate past-due dollar accounts with American exporters and \$38 million on various development loans. Brazilian loan repayments in 1953 totaled \$14 million.

Mexico drew \$24 million in credits and made repayments of \$9 million. Assistance to Mexico in the eradication of foot-and-mouth disease rose again to nearly \$2 million in the December 1953 quarter, after running at nominal amounts for a year.

Other American Republics received \$4 million on balance in loans and other long-term credits during 1953.

Technical assistance to these countries was about the same in the past 2 years. Bolivia received three-quarters of a million dollars worth of wheat under the Emergency Famine Relief Act. The original program for \$5 million in such shipments to Bolivia was raised to \$8 million on March 15, 1954.

Multilateral programs continue

The annual contributions to the programs for technical assistance administered by the United Nations and the Organization of American States were not changed in 1953,

totaling \$13 million. Payments of \$7 million to the Inter-governmental Committee for European Migration provided that international organization with funds to continue the program of assisting Europe by resettling European surplus population in other areas where its skills would be beneficial.

In November the Government disbursed another contribution of \$10 million to the International Children's Emergency Fund, bringing total contributions to this program since 1947 to \$97 million.

The United Nations made the scheduled \$1½-million repayment on the \$65-million loan for construction of the headquarters building in New York.

Financing Corporate Business

(Continued from page 18)

debt issues. For the most part it reflected the heavy volume of business done by nonbank concerns engaged in extending credit on durable consumer goods.

Proceeds from the sale of stock in 1953 flowed almost entirely to three groups—utilities, communications, and finance. In the last case, stock sales represented largely flotations by investment companies; in the case of communications, a substantial volume of new stock sales represented the conversion of debt issues.

The volatility of the manufacturing industry's flotations in the capital markets is strikingly shown in the table. The reduced capital demand in 1949 and the intensified demand in 1951 and 1952 were quickly reflected in the new issues market. In the 1949-50 period, manufacturers were practically out of the new issues market, and only after a lag of some months did activity pick up in response to the new and higher defense requirements following the outbreak of Korean hostilities.

Cost of financing

Although the cost of borrowing in 1953 was on the average higher than in any year since prewar, rates were lowered in the latter part of the year, and these trends have been continued into current months (table 4). Largely as a result of the favorable terms of postwar financing, interest payments continue to be relatively low in historical perspective. These costs represented slightly more than 9 percent of earnings available for interest (i. e., profits before taxes and interest) in 1953, up fractionally from 1952, but far below the prewar ratio of 20 percent in 1940 or the 30 percent ratio in 1929.

Common stock earnings-price ratios averaged slightly higher in 1953 relative to 1952 but, as in the case of borrowing costs, were tending downward in the latter part of the year as stock prices firmed while earnings tended downward.

Common stock dividend yields remained rather steady through most of 1953, except for the railroad groups where dividends were somewhat higher while share prices did not keep pace with general market averages. Dividend yields were generally lower in the first quarter of this year.

Despite the somewhat reduced cost of equity financing in the current period, the general cost structure, as well as the relatively low volume and cost of corporate debt, continues to favor financing through use of borrowed funds, in view of the interest rates prevailing. It may be noted from table 4, for example, that bond yields are currently less than two-thirds of dividend yields. In the prosperous mid-twenties, interest rates and dividend yields were of the same order of magnitude.

Summary

The unprecedented capital expansion program undertaken by corporations in the postwar period was carried through with relative smoothness. Use of borrowed funds was somewhat more pronounced than in earlier expansions, but this appears to have reflected in part the earlier improvement in debt position and the exceptional postwar working capital needs.

Total long-term funds used in the 1946-53 period amounted to almost \$200 billion. Of this sum, half came from retained earnings and stock issues, slightly less than one-third was in the form of depreciation allowances, and one-sixth took the form of long-term debt. The proportion of gross equity to total long-term financing in the postwar period was roughly the same as indicated by the balance sheet of all corporate business at the end of the war—a period when the financial position was rather favorable. At that time the combined balance sheet of corporations reflected the effects of wartime conditions which tended not only to increase the relative importance of equity financing but also to lower the influence of long-term debt in the overall financial structure.